



LIBERTY
MILLS LIMITED

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Financial Statements

for the third-quarter ended

March 31, 2011

(Un-Audited)

LIBERTY
MILLS LIMITED



COMPANY INFORMATION**BOARD OF DIRECTORS:**

CHAIRMAN:	Mr. Salim N. Mukaty
DIRECTORS:	Mr. Ashraf Salim Mukaty Mr. Yusuf N. Mukaty Mr. Noor Muhammad Yusuf Mukaty Mr. Zain Ashraf Mukaty Mr. Luqman F. Poonawala Mr. Madni Gul Muhammad Mr. Asif Younus Bawany Mr. Muhammad Imran Shekhani

CHIEF EXECUTIVE: Mr. Ashraf Salim Mukaty

CHIEF FINANCIAL OFFICER: Mr. Younus Dawood

COMPANY SECRETARY: Mr. Muhammad Iqbal Haroon

AUDITORS : Hyder Bhimji & Co.
Chartered Accountants

F.R.A.N.T.S. & Co.
Chartered Accountants

BANKERS : Allied Bank Limited
Bank Al-Falah Ltd.
Bank Al Habib Ltd.
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Ltd.
Meezan Bank Limited
Soneri Bank Ltd.
Standard Chartered Bank (Pakistan) Ltd.
Summit Bank Ltd.

REGISTERED OFFICE AND MILLS : A/51-A, S.I.T.E.,
Karachi-75700.
Tel No. (021) 32578100-116 (17 Lines)
Fax: (021) 32570086 & 32561050
Email: liberty@libertymillslimited.com
Website: www.lml.com.pk

SHARES REGISTRAR : F. D. Registrar Services (SMC - Pvt) Ltd.
17th Floor, Saima Trade Tower, Block-A
I.I. Chundrigar Road, Near Jang News Group
Near HMB Main Branch, Karachi-74200.
Tel No. 35478192-93



DIRECTORS' REPORT TO THE MEMBERS

We are pleased to present before you the financial statements of the company for the third quarter ended on 31st March 2011.

The summarized financial results are given below

	Quarter ended		Nine months ended	
	March 2011	March 2010	July-March 2011	July-March 2010
	(Rs. in millions)		(Rs. in millions)	
Sales	2141.17	1422.40	5914.93	4104.70
Gross profit	198.03	197.08	744.49	657.54
Operating profit	146.74	132.76	538.98	584.15
Profit / (loss) before tax	56.37	137.02	303.41	487.39
Profit after tax	36.25	122.26	242.23	442.75

During the current quarter under review the net sales increased to Rs. 2,141.17 million as compared to Rs. 1,422.40 million for the previous corresponding period, thus showing an increase of 51% and net profit reduced by 70% as compared for the previous corresponding period, mainly due to increase in raw material prices for our value added business, which could not be fully passed on to our value added business customers because we got the order on low margin, it is very difficult to get the order in competitive business environment.

Today textile industry of Pakistan is facing multiple challenges internally and globally. On domestic front ever increasing production cost uncertainty about cotton supply and prices and double digit inflation are posing a major threat to the textile industry. High energy cost and inflation have swelled up to almost twice in the last twelve months and the prolonged power and gas shut downs have made it very difficult for the textile companies to survive and compete in the international markets. On these fronts the situation is expected to remain volatile in the near future.

As usual the company's management strategy will be to explore new markets for our products, broadening our product mix and getting maximum benefit from our vertically integrated production facilities that can turn raw cotton into a final finished consumer product.

MERGER OF LIBERTY ENERGY (PVT.) LTD.

During the period under review we have received the approval of Sindh High Court for the Amalgamation of Liberty Mills Limited with Liberty Energy (Pvt) Limited. Hence these financial statements are prepared after amalgamation of both companies.

SUBSIDIARY COMPANY

As we have reported in our last report that our subsidiary M/s Liberty Power Tech Limited has started Commercial Operations from January 12, 2011 and Alhamdo lillah running very well. Except that due to increase in international oil prices and circular debt problem working capital requirements of the subsidiary company has increased substantially and we are doing our best to arrange adequate working capital lines for the smooth operation of the subsidiary company.

On behalf of the Board of Directors I would like to acknowledge with thanks the guidance and support of regulatory authorities, patronage of customers, share holders, bank and lending institutions. I would also like to place on record the dedicated efforts and hard work of the management and the employees.

For and on behalf of the
Board of Directors

SALIM N. MUKATY

Chairman

Karachi: 30th April, 2011


CONDENSED INTERIM BALANCE SHEET (UNAUDITED)
AS AT MARCH 31, 2011

ASSETS	Note	Unaudited 31.03.2011 Rupees	Unaudited Restated 30.06.2010 Rupees
NON CURRENT ASSETS			
Fixed Assets			
Property, plant and equipment	5	1,293,874,422	1,322,689,166
Investment property		6,548,872	6,800,724
		1,300,423,294	1,329,489,890
Long term investment		1,447,001,000	1,447,001,000
Long term loans and advances		15,676,003	21,157,389
Long term deposits		3,026,023	3,026,023
CURRENT ASSETS			
Stores, spares and loose tools		139,428,932	123,830,553
Stock-in-trade		2,409,204,626	1,325,688,438
Trade debts		1,246,974,795	558,761,776
Loans and advances		60,937,782	33,855,318
Deposits and prepayments		3,854,808	2,685,581
Accrued profit		438,873	3,778,867
Other receivables		128,964,868	64,010,736
Tax refunds due from government		34,656,186	42,164,075
Financial assets at fair value through profit & loss		173,393	206,678,588
Cash and bank balances		89,631,822	306,665,366
		4,114,266,085	2,668,119,298
		<u>6,880,392,405</u>	<u>5,468,793,600</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
SHARE CAPITAL			
Authorised capital:			
40,000,000 ordinary shares of Rs. 10/- each		400,000,000	400,000,000
		<u>230,953,080</u>	<u>226,101,390</u>
Issued, subscribed and paid-up		2,000,000,000	1,570,000,000
Revenue Reserves		—	4,851,690
Reserve for issue of shares on merger		360,460,413	616,056,632
Un-appropriated profit		2,591,413,493	2,417,009,712
NON-CURRENT LIABILITIES			
Long term financing	6	146,036,664	485,384,698
Deferred liabilities		114,901,789	102,198,465
Long term loans		13,255,913	17,755,913
CURRENT LIABILITIES			
Trade and other payables		843,564,477	456,633,031
Accrued mark-up		39,986,969	44,658,127
Short term borrowings		2,714,158,046	1,812,453,917
Current portion of long term financing and loans from related parties		412,818,304	128,506,750
Provision of income tax net of payment		4,256,750	4,192,987
		4,014,784,546	2,446,444,812
CONTINGENCIES & COMMITMENTS			
	7	—	—
		<u>6,880,392,405</u>	<u>5,468,793,600</u>

The annexed notes form an integral part of these financial statements.

SALIM N. MUKATY

Chairman

Karachi: 30th April, 2011

ASIF Y. BAWANY

Director



**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2011**

		Quarter ended 31.03.2011 Rupees	Nine Months ended 31.03.2011 Rupees	Quarter ended Restated 31.03.2010 Rupees	Nine Months ended Restated 31.03.2010 Rupees
Sales and services	8	2,141,165,255	5,914,930,154	1,422,400,483	4,104,696,135
Cost of sales and services	9	1,943,130,989	5,170,441,994	1,225,317,043	3,447,152,904
Gross profit		198,034,266	744,488,160	197,083,440	657,543,231
Distribution cost		(44,270,455)	(145,572,758)	(34,896,496)	(90,899,244)
Administrative expenses		(40,307,808)	(122,076,479)	(40,576,380)	(117,643,386)
Other operating expenses		(4,831,055)	(22,486,880)	(6,295,282)	(29,108,794)
		(89,409,318)	(290,136,117)	(81,768,158)	(237,651,424)
		108,624,948	454,352,043	115,315,282	419,891,807
Income from investment property		1,539,015	4,248,148	1,380,358	4,435,232
Other operating Income		36,575,912	80,380,760	16,068,515	159,825,024
Operating profit		146,739,875	538,980,951	132,764,155	584,152,063
Fair value gain on merger	2	—	—	42,797,380	42,797,380
Finance cost		(90,374,188)	(235,571,020)	(38,537,903)	(139,554,686)
Profit before taxation		56,365,687	303,409,931	137,023,632	487,394,757
Provision for income tax		(20,114,623)	(61,175,733)	(14,762,255)	(44,642,020)
Profit after taxation		36,251,064	242,234,198	122,261,377	442,752,737
Earning per share - Basic and diluted		1.57	10.49	5.29	19.17

The annexed notes form an integral part of these financial statements.

SALIM N. MUKATY

Chairman

Karachi: 30th April, 2011

ASIF Y. BAWANY

Director



**STATEMENT OF CONDENSED
INTERIM COMPREHENSIVE INCOME (UNAUDITED)
FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2011**

	Quarter ended 31.03.2011 Rupees	Nine Months ended 31.03.2011 Rupees	Quarter ended Restated 31.03.2010 Rupees	Nine Months ended Restated 31.03.2010 Rupees
Profit for the year	36,251,064	242,234,198	122,261,377	442,752,737
Other comprehensive income - net of taxation	—	—	—	—
Total comprehensive income for the year	36,251,064	242,234,198	122,261,377	442,752,737

The annexed notes form an integral part of these financial statements.

SALIM N. MUKATY

Chairman

Karachi: 30th April, 2011

ASIF Y. BAWANY

Director



**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2011**

	31.03.2011	Restated
	Rupees	31.03.2010
	Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	303,409,931	487,394,757
Adjustment for non cash charges and other items		
Depreciation	89,389,941	87,985,030
Fair value gain on merger	—	(42,797,380)
Provision for staff retirements benefit (net)	12,703,324	8,903,389
Gain on disposal of fixed assets	(656,915)	(544,468)
Finance cost	235,571,020	139,437,114
	337,007,370	192,983,685
	640,417,301	680,378,442
WORKING CAPITAL CHANGES		
(INCREASE)/DECREASE IN CURRENT ASSETS		
Stores spares parts & loose tools	(15,598,379)	(22,322,935)
Stock-in-trade	(1,083,516,188)	(202,607,558)
Trade debts	(688,213,019)	(510,522,237)
Loans and advances	(27,082,464)	(14,090,113)
Trade deposits and prepayments	(1,169,227)	10,977,354
Accrued profit	3,339,994	—
Other receivables	(64,954,132)	(40,595,130)
	(1,877,193,415)	(779,160,619)
INCREASE/(DECREASE) IN CURRENT LIABILITIES		
Short term borrowings	901,704,129	243,255,382
Trade and other payables	384,101,954	71,352,193
Add: Working capital changes	(591,387,332)	(464,553,044)
(Increase)/decrease in long term loans & advances	5,481,386	2,123,314
Long term investment	—	(713,001,000)
Finance cost paid	(240,242,178)	(161,614,913)
Sales tax refunded	7,507,889	(25,613,649)
Taxes paid	(61,111,970)	(44,818,216)
Dividend paid	(65,000,925)	(108,525,043)
Net cash in flow generated from operations	(304,335,829)	(835,624,108)
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(61,076,430)	(77,372,972)
Proceeds from disposal of fixed assets	1,410,000	1,625,000
Net cash in/(out) flow towards investing activities	(59,666,430)	(75,747,972)
CASH FLOW FROM FINANCING ACTIVITIES		
(Payment)\Proceed of long term finance	(55,036,480)	204,506,350
(Payment)\Proceed of Loan from related parties	(4,500,000)	(4,500,000)
Net cash in/(out) flow from financing activities	(59,536,480)	200,006,350
Net increase in cash and cash equivalents	(423,538,739)	(711,365,730)
Cash and cash equivalents at the beginning of the period	513,343,954	1,209,909,394
Cash and bank balances at the end of the period	89,805,215	498,543,664

The annexed notes form an integral part of these financial statements.

SALIM N. MUKATY

Chairman

Karachi: 30th April, 2011

ASIF Y. BAWANY

Director



**CONDENSED INTERIM
STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2011**

	Share Capital	Revenue Reserve	Un- Appropriated Profit	Total
	Rupees			
Balance as at June 30, 2009	226,101,390	1,170,000,000	605,072,524	2,001,173,914
Transfer to revenue reserve	—	400,000,000	(400,000,000)	—
Final dividend for the year 2009 @ 50% Rs. 5.00 per share	—	—	(113,050,695)	(113,050,695)
Net comprehensive income for the nine months ended March 31, 2010	—	—	442,752,737	442,752,737
Balance as at March 31, 2010 (Restated)	226,101,390	1,570,000,000	534,774,567	2,330,875,957
Net comprehensive income for the quarter ended June 30, 2010	—	—	81,282,065	81,282,065
Balance as at June 30, 2010 (Restated)	226,101,390	1,570,000,000	616,056,632	2,412,158,022
Transfer to revenue reserve	—	430,000,000	(430,000,000)	—
Final dividend for the year 2010: @ Rs. 30% Rs. 3.00 per share	—	—	(67,830,417)	(67,830,417)
Shares issue due to merger	4,851,690	—	—	4,851,690
Net comprehensive income for the nine months ended March 31, 2011	—	—	242,234,198	242,234,198
Balance as at March 31, 2011	230,953,080	2,000,000,000	360,460,413	2,591,413,493

The annexed notes form an integral part of these financial statements.

SALIM N. MUKATY

Chairman

Karachi: 30th April, 2011

ASIF Y. BAWANY

Director



**SELECTED NOTES
TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED MARCH 31, 2011 (UNAUDITED)**

1. LEGAL STATUS AND OPERATIONS

The Company was incorporated in Pakistan on February 22, 1965 as private limited company and was converted into Public Limited Company on 12th September 1969. Its shares are quoted in the Karachi Stock Exchange. The Principal activity of the Company is manufacturing and processing of all kinds of fabrics and textile made-up and its registered office is situated at A/51-A, S.I.T.E, Karachi-75700.

The Company has a Subsidiary Company named Liberty Power Tech Limited (The Subsidiary Company) . It was incorporated in Pakistan on September 13, 2007 as a public limited company. The principal activity of the Subsidiary Company is to own, operate and maintain a Residual Furnance Oil (RFO) power project with an installed capacity of 200 Megawatt near Faisalabad under 2002 Power Policy of the Government of Pakistan. The Registered Office of the Subsidiary Company is situated at 4th Floor, Rehman Plaza, Queens Road, Lahore.

**2. MEGER OF LIBERTY MILLS LIMITED (LML) WITH
LIBERTY ENERGY (PVT) LIMITED (LEL)**

The Board of Directors of the Company in their meeting dated June 15, 2010 approved a Scheme of Arrangements(The Scheme) in terms of Section 284 - 287 of the Companies Ordinance, 1984 (The Ordinance) for the amalgamation of Liberty Mills Limited with Liberty Energy (Private) Limited with effect from January 01, 2010. The Company has filed the petition for sanctioning the Scheme to the High Court of Sindh, and the High court through order dated February 12, 2011 had approved the scheme. Hence these Financial statement includes the impact of merger of Liberty Energy (Pvt) Ltd. balances as at January 01, 2010 and subsequent transaction.

3. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

These condensed interim financial statements are presented in condensed form in accordance with the requirement of International Accounting Standard 34 'Interim Financial statements do not include all the information required for annual financial statements. These accounts are being submitted to the shareholders as required by the Section 245 of the Companies Ordinance, 1984.



4. **SIGNIFICANT ACCOUNTING POLICIES**

- 4.1 The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the company for the year ended June 30, 2010 except for the adoption of new accounting policies as referred to in note 4.2.1.
- 4.2 Initial application of standards, amendments or an interpretation to existing standards.

The following amendments to existing standards have been published that are applicable to the company's financial statements covering annual periods, beginning on or after the following dates:

- 4.2.1. Standards, amendments to published standards and interpretations that are effective in the current period and are relevant to the company.
- IFRS 5 (Amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The company has adopted this amendment, however, it does not have any material impact on the company's financial statements.
 - IAS 1 (Amendment), 'Presentation of Financial Statements'. The amendment is part of the international Accounting Standard Board's (IASB) annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The company has adopted this amendment, however, it does not have any material impact on the company's Financial statements.



4.2.2 Standards, amendments and interpretations to existing standards effective in current year but not applicable/relevant to the company's operations.

Standard or interpretations	Effective date (accounting periods beginning on or after)
IAS 32 (Amendment); 'Classification of right issues'	February 01, 2010
IAS 39 (Amendment); 'Cash flow hedge accounting'	July 01, 2010
IFIRC 19, 'Extinguishing financial liabilities with equity instruments'	July 01, 2010

4.2.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company.

The following amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after January 1, 2011 or later periods, but the company has not early adopted them:

- IFRS 9, 'Financial instruments', issued in December 2009. This addresses the classification and measurement of financial assets and is likely to affect the company's accounting for its financial assets. The standard is not applicable until January 1, 2013 but is available for early adoption. IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example will therefore have to be recognized directly in profit or loss. The company has not yet decided when to adopt IFRS 9.

- Revised IAS 24, 'Related Party Disclosures' issued in November 2009. It supersedes IAS 24, 'Related Party Disclosures', issued in 2003. The revised IAS 24 is required to be applied from January 1, 2011. Earlier application, in whole or in parts, is permitted

- Prepayments of a minimum funding requirement' (Amendments to IFRIC 14), issued in November 2009. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit assets, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning



January 1, 2011. Earlier application is permitted. The amendments should be applied, retrospectively to the earliest comparative period presented.

- There are a number of minor amendments in other IFRS and IAS, which are part of annual improvement project published in April 2009 and improvements to International Financial Reporting Standards 2010, issued in May 2010 (not addressed above). These amendments are unlikely to have any impact on the company's financial statements and therefore have not been analyzed in detail.

4.2.4 The preparation of condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates, in preparing this condensed interim financial information, the significant judgments by management in applying accounting policies and key sources of estimation were the same as those were applied to the financial statements for the year ended June 30, 2010.

5. <u>PROPERTY, PLANT & EQUIPMENT</u>	Unaudited 31.03.2011	Unaudited Restated 30.06.2010
Property, plant and equipment Note 5.1	1,189,395,566	1,164,871,797
Capital work in progress Note 5.2	104,478,856	157,817,368
	<u>1,293,874,422</u>	<u>1,322,689,166</u>
5.1 <u>Property, plant and equipment</u>		
Opening book value	1,164,871,797	1,198,568,567
Effect of additions due to merger as per Note No: 1	—	34,866,852
Transfer from Investment Property	—	1,234,542
Additions made during the period Note 5.1.1	114,414,944	49,637,865
	<u>1,279,286,740</u>	<u>1,284,307,826</u>
Less:		
Written down value of disposal Note 5.1.2	753,085	1,596,821
Depreciation charged for the period	89,138,089	117,839,208
	<u>1,189,395,566</u>	<u>1,164,871,797</u>



	Unaudited 31.03.2011	Unaudited Restated 30.06.2010
5.1.1 Addition made during the year		
Factory building on lease hold land	—	1,557,554
Non factory building on lease hold land	313,579	2,417,522
Plant & machinery	106,915,114	34,143,898
Factory equipments	695,000	4,801,707
Office equipments	286,520	409,700
Furniture & fixtures	212,267	1,448,353
Vehicles	5,158,026	4,843,831
Computers / printers	834,438	15,300
	114,414,944	49,637,865
5.1.2 Written down value of disposal		
Vehicles	753,085	1,596,821
	753,085	1,596,821
5.2 Capital work in progress		
Civil works under progress	82,608,271	67,794,088
Plant & Machinery	21,870,585	89,629,880
Other assets	—	393,400
	104,478,856	157,817,368
6. LONG TERM FINANCING - SECURED FROM BANKING COMPANIES		
Habib metropolitan bank limited Note 6.1	56,853,743	66,453,495
Standard chartered bank (Pakistan) limited Note 6.2	22,704,404	29,857,703
Allied bank limited Note 6.3	37,624,250	43,000,250
Habib bank limited Note 6.4	371,428,571	400,000,000
Bank al-falah limited Note 6.5	59,328,000	62,681,000
Faysal Bank limited Note 6.6	4,916,000	5,899,000
	552,854,968	607,891,448
Current portion shown under current liabilities	(406,818,304)	(122,506,750)
	146,036,664	485,384,698

6.1 Interest

It carries interest at the rate of 6.25% per annum chargeable and payable on quarterly basis.

Repayment

The finance is repayable in 12 equal half yearly installments commenced from 18th April 2007. In order to facilitate the Exporter the State Bank of Pakistan had given a one year grace in repayment of LTF finances for one year through SMEFD circular dated January 22, 2009.

**Security**

The finance is secured by 1st charge on the specified machinery imported through lender under the scheme of Long Term Financing for Export Oriented Project and registered charge over stock / receivables.

6.2 Interest

It carries interest at the rate of 6.5% per annum chargeable and payable on quarterly basis.

Repayment

The finance is repayable in 12 equal half yearly installments commenced from 13th June 2007. In order to facilitate the Exporter the State Bank of Pakistan had given a one year grace in repayment of LTF finance for one year through SMEFD circular dated January 22, 2009.

Security

The finance is secured by 1st charge on the specified machinery imported through lender under the scheme of Long Term Financing for Export Oriented Project and registered charge over stock / receivables.

6.3 Interest

It carries interest at the rate of 8.7% per annum chargeable and payable on quarterly basis.

Repayment

The finance is repayable in 32 equal quarterly installments commenced from 15th May 2010. In order to facilitate the Exporter the State Bank of Pakistan had given a one year grace in repayment of LTF finance for one year through SMEFD circular dated January 22, 2009.

Security

The finance is secured by 1st charge on the specified machinery imported through lender under the scheme of Long Term Financing for Export Oriented Project and registered charge over stock / receivables.

6.4 Interest

It carries interest ranges between 14.1% to 14.3% per annum chargeable and payable on quarterly basis.



Repayment

There are four finances three of them are repayable in 7 equal quarterly installments and the last one is repayable in 9 equal Quarterly Installment commenced from 12th September 2010.

Security

The finance is secured by 1st Pari passu Equitable Mortgage and Hypothecation Charge over Land, Building, Plant & Machinery of the Company. Personal Guarantee of Chairman and Chief Executive Officer of the Company.

6.5 **Interest**

It carries interest ranges between 8.9% to 9.2% per annum chargeable and payable on quarterly basis.

Repayment

The finance is repayable in 40 equal quarterly installments commenced from 5th June 2010.

Security

The finance is secured by 1st charge on the specified machinery imported through lender under the scheme of Long Term Financing for Export Oriented Project and ranking charge over Company's Plant & Machinery.

6.6 **Interest**

It carries interest at the rate of 9.8% per annum chargeable and payable on quarterly basis.

Repayment

The finance is repayable in 6 equal half yearly installments commenced from 16th October 2010.

Security

The finance is secured by 1st charge on the specified machinery imported through lender under the scheme of Long Term Financing for Export Oriented Project.



7. CONTINGENCIES AND COMMITMENTS

Vide special resolution passed in the Extra Ordinary General Meetings dated March 14, 2009 and July 17, 2008 The Company approved (a) Investment in Subsidiary Liberty Power Tech Limited to the tune of Rs. 3,825 million was approved out of which Rs. 1,447 million have been invested (June 2010: 1,447) (b) short term loans to the tune of Rs. 250 million out of which no loans has yet been made, (c) guarantees or lien or charge of properties to the tune of Rs 500 million in favor of lending banks of the subsidiary Liberty Power tech Limited. Security in favor of lending banks to the tune of Rs 200 million is given in the year (June 2010: 200 million) and (d) pledge of shares to the tune of 51% of holding in subsidiary.

Guarantees of Rs. 44.146 Million (June 2010: Rs. 44.146 Million) have been given by banks to Sui Southern Gas Company Limited & Collector of Customs.

Letter of Credits & Contracts for supply of plant and machinery Rs. 214.861 Million (June 2010: Rs. 3.538 Million) and for supply of raw materials & spares amounting to Rs. 5.296 Million (June 2010: Rs. 15.289 Million).

8. SALES AND SERVICES	Unaudited 31.03.2011	Unaudited Restated 31.03.2010
Export Sales	4,783,040,892	3,220,506,382
Local Sales	627,376,588	270,373,462
Waste Sales	3,827,490	3,994,526
Sale of Dyes & Chemicals	999,750	—
	5,415,244,720	3,494,874,370
SERVICES:		
Cloth processing	499,685,434	609,821,765
	<u>5,914,930,154</u>	<u>4,104,696,135</u>



9. COST OF SALES	Unaudited 31.03.2011	Unaudited Restated 31.03.2010
Raw material consumed	4,655,672,418	2,756,511,915
Stores & spare parts consumed	149,007,383	114,244,176
Design, stitching, weaving, raising & mending charges	158,514,602	133,470,357
Power, water and gas	283,958,879	305,777,391
Salaries, wages & other benefits	219,983,444	183,240,976
Repairs & maintenance	30,556,104	21,904,643
Packing charges	12,784,061	13,513,870
Rent, rates & taxes	3,031,591	1,782,687
Insurance	8,361,080	9,204,197
Research and development expenses	13,501,623	11,671,297
Depreciation	82,248,827	81,478,692
Less: Duty drawback	(90,105,022)	(59,744,561)
	5,527,514,990	3,573,055,640
Work-in-process		
-opening	289,491,818	93,827,537
-closing	(447,040,280)	(165,528,054)
	(157,548,462)	(71,700,517)
Cost of goods manufactured	5,369,966,528	3,501,355,123
Finished goods		
-opening	333,185,266	189,910,263
-closing	(532,709,800)	(244,112,482)
	(199,524,534)	(54,202,219)
	<u>5,170,441,994</u>	<u>3,447,152,904</u>

10. TRANSACTION WITH RELATED PARTIES

The related parties comprises of related group companies, Ashraf Enterprises, Soorty Enterprises (Pvt) Limited & Liberty Power Tech Limited, where directors also held directorship, directors and key management personnel. Transaction with associated companies and other related companies are as under.

Relationship	Nature of Transaction	Unaudited 31-Mar-11	Unaudited 31-Mar-10
Subsidiary Company	Rent Received	4,500,000	4,500,000
Associated Company	Services Obtained (Inclusive of Sales Tax)	—	96,238,093
Associated Company	Services Provided	51,002,823	68,200,453
Associated Company	Sale of Fabrics	146,741,280	—
Associated Company	Rent received	—	450,000
Associated Company	Rent paid	1,125,000	1,125,000
Associated Company	Re-payment of loan to directors	4,500,000	4,500,000

**11. DATE OF AUTHORISATION FOR ISSUE**

These Financial Statements were authorised for issue by the Board of Directors on 30th April 2011.

12. GENERAL

- (i) Comparative figures of Balance Sheet, Profit & Loss Account, Cash Flow Statement and Statement of Changes in Equity have been reclassified due to incorporation of assets and liability of Liberty Energy (Pvt) Ltd., in accordance with the Scheme of arrangement of merger duly approved by Sindh High Court through their order dated February 12, 2011 as stated in Note No. 2.
- (ii) Provision in respect of Worker's Profit Participation Fund, Worker's Welfare Fund and Taxation are estimated and are subject to final adjustment in the annual audited accounts.
- (iii) Figures have been rounded off to the nearest rupees.

SALIM N. MUKATY

Chairman

Karachi: 30th April, 2011**ASIF Y. BAWANY**

Director

Consolidated Financial Statements

**THE LIBERTY MILLS LIMITED and its Subsidiary Company
LIBERTY POWER TECH LIMITED**



CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (UNAUDITED) AS AT MARCH 31, 2011

	Unaudited 31.03.2011 Rupees	Restated Unaudited 30.06.2010 Rupees
ASSETS		
NON CURRENT ASSETS		
Property, plant and equipment	20,743,969,483	18,606,014,922
Investment property	6,548,872	6,800,724
Intangibles-goodwill	5,316,649	5,316,649
	20,755,835,004	18,618,132,295
Long term investment	—	—
Long term loans and advances	15,676,003	21,157,389
Long term deposits	3,026,023	3,026,023
CURRENT ASSETS		
Stores, spares and loose tools	512,568,410	123,830,553
Stock-in-trade	2,869,721,019	1,325,688,438
Trade debts	6,631,237,272	558,761,776
Loans and advances	90,467,261	35,970,350
Trade deposits and prepayments	94,782,601	2,901,581
Accrued profit	438,873	4,101,244
Other receivables	128,964,868	64,010,736
Tax refunds due from government	73,409,133	48,719,652
Financial assets at fair value through profit & loss	173,393	206,678,588
Cash and bank balances	92,658,969	554,970,844
	10,494,421,799	2,925,633,762
	31,268,958,828	21,567,949,469
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
SHARE CAPITAL		
Authorised capital: 40,000,000 ordinary shares of Rs. 10/- each	400,000,000	400,000,000
Issued, subscribed and paid-up	230,953,080	226,101,390
Revenue reserves	2,000,000,000	1,570,000,000
Reserve for issue of shares upon merger	—	4,851,690
Un-appropriated profit	368,224,785	599,379,647
	2,599,177,865	2,400,332,727
Minority interest	3,627,683,390	2,840,537,455
NON-CURRENT LIABILITIES		
Long term financing	14,371,799,699	12,367,137,613
Deferred liabilities	121,438,008	105,426,265
Long term loans	13,255,913	17,755,913
CURRENT LIABILITIES		
Trade and other payables	1,038,265,709	1,132,249,999
Accrued mark-up	787,540,229	482,389,844
Short term borrowings	7,633,269,640	1,812,453,917
Current portion of long term financing and loans from related parties	1,072,271,626	405,472,750
Provision for taxation net of payments	4,256,750	4,192,987
	10,535,603,954	3,836,759,497
CONTINGENCIES & COMMITMENTS		
	—	—
	31,268,958,828	21,567,949,469

The annexed notes form an integral part of these financial statements.

SALIM N. MUKATY

Chairman

Karachi: 30th April, 2011

ASIF Y. BAWANY

Director



**CONDENSED CONSOLIDATED INTERIM PROFIT AND LOSS (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2011**

	Notes	Quarter ended 31.03.2011 Rupees	Nine Months ended 31.03.2011 Rupees	Quarter ended 31.03.2010 Rupees	Nine Months ended Restated 31.03.2010 Rupees
Sales and services	8	8,591,552,192	10,488,999,678	1,422,400,483	4,104,696,135
Cost of sales and services	9	7,352,393,399	8,979,284,664	1,225,317,043	3,447,152,904
Gross profit		1,239,158,793	1,509,715,014	197,083,440	657,543,231
Distribution cost		(96,138,580)	(145,572,758)	(34,896,496)	(90,899,244)
Administrative expenses		(119,106,426)	(175,250,699)	(61,349,415)	(150,119,821)
Other charges		(13,564,178)	(22,486,880)	(4,225,282)	(27,038,794)
		(228,809,184)	(343,310,337)	(100,471,193)	(268,057,859)
		1,010,349,609	1,166,404,677	96,612,247	389,485,372
Income from investment property		(285,979)	(251,852)	1,380,358	4,435,232
Other operating Income/(loss)		96,323,990	111,370,593	16,068,515	159,825,024
Operating profit		1,106,387,620	1,277,523,418	114,061,120	553,745,628
Fair value gain on merger	2	—	—	42,797,380	42,797,380
Finance cost		(819,386,441)	(888,874,025)	(38,615,582)	(139,632,365)
Profit before taxation		287,001,179	388,649,393	118,242,918	456,910,643
Provision for income tax		(48,383,785)	(61,175,733)	(14,762,255)	(44,642,020)
Profit after taxation		238,617,394	327,473,660	103,480,663	412,268,623
Earning per share - Basic and diluted		10.55	14.48	4.58	18.23

The annexed notes form an integral part of these financial statements.

SALIM N. MUKATY

Chairman

Karachi: 30th April, 2011

ASIF Y. BAWANY

Director



**STATEMENT OF CONDENSED CONSOLIDATED
INTERIM COMPREHENSIVE INCOME (UNAUDITED)
FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2011**

	Quarter ended 31.03.2011 Rupees	Nine Months ended 31.03.2011 Rupees	Quarter ended Restated 31.03.2010 Rupees	Nine Months ended Restated 31.03.2010 Rupees
Profit for the year	238,617,394	327,473,660	103,480,663	412,268,623
Other comprehensive income - net of taxation	—	—	—	—
Total comprehensive income for the year	238,617,394	327,473,660	103,480,663	412,268,623

The annexed notes form an integral part of these financial statements.

SALIM N. MUKATY

Chairman

Karachi: 30th April, 2011

ASIF Y. BAWANY

Director



**CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2011**

	31.03.2011	Restated
	Rupees	31.03.2010
		Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	388,649,393	456,910,643
Adjustment for non cash charges and other items		
Depreciation	95,830,525	91,853,737
Fair value gain on merger	—	(42,797,380)
Provision for staff retirements benefit (net)	14,908,937	8,903,389
Loss\gain on disposal of fixed assets	(656,915)	(544,468)
Finance cost	888,874,025	139,437,114
	998,956,572	196,852,392
	1,387,605,965	653,763,035
WORKING CAPITAL CHANGES (INCREASE)/DECREASE IN CURRENT ASSETS		
Stores spares parts & loose tools	(388,737,857)	(22,322,935)
Stock-in-trade	(1,544,032,581)	(202,607,558)
Trade debts	(6,072,475,496)	(510,522,237)
Loans and advances	(54,496,911)	(14,259,199)
Trade deposits and prepayments	(91,881,020)	10,977,354
Accrued profit	3,662,371	(680,531)
Other receivables	(64,954,132)	(43,100,729)
	(8,212,915,625)	(782,515,834)
(INCREASE)/DECREASE IN CURRENT LIABILITIES		
Short term borrowings	5,820,815,723	243,255,382
Trade and other payables	(110,013,682)	473,975,974
Add: Working capital changes	(2,502,113,584)	(65,284,478)
(Increase)/decrease in long term loans & advances	5,481,386	2,123,314
Finance cost paid	(583,723,640)	(7,122,570)
Sales tax refunded	(24,689,481)	(25,613,649)
Taxes paid	(61,111,970)	(50,592,825)
Dividend paid	(65,000,925)	(108,525,043)
Net cash in flow generated from operations	(1,843,552,250)	398,747,784
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(2,219,733,612)	(8,983,422,864)
Share subscription by Minority Interest	726,347,830	1,478,860,191
Proceeds from disposal of fixed assets	1,160,000	1,625,000
Net cash out flow towards investing activities	(1,492,225,782)	(7,502,937,673)
CASH FLOW FROM FINANCING ACTIVITIES		
(Payment)\Proceed of long term finance	2,671,460,962	6,211,253,329
(Payment)\Proceed of Loan from related parties	(4,500,000)	(4,500,000)
Net cash in flow / (out) flow from financing activities	2,666,960,962	6,206,753,329
Net increase in cash and cash equivalents	(668,817,070)	(897,436,559)
Cash and cash equivalents at the beginning of the period	761,649,432	1,463,806,532
Cash and cash equivalents at the end of the period	92,832,362	566,369,973

The annexed notes form an integral part of these financial statements.

SALIM N. MUKATY

Chairman

Karachi: 30th April, 2011

ASIF Y. BAWANY

Director


CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2011

	Share Capital	Revenue Reserve	Un- Appropriated Profit	Minority Interest	Total
	Rupees				
Balance as at June 30, 2009 (Reported)	226,101,390	1,170,000,000	574,979,364	575,386,465	2,546,467,219
Effect of prior period errors	—	—	20,040,138	59,346,623	79,386,761
Balance as at June 30, 2009 Restated	226,101,390	1,170,000,000	595,019,502	634,733,088	2,625,853,980
Minority investment during the period	—	—	—	1,478,860,191	1,478,860,191
Transfer to revenue reserve	—	400,000,000	(400,000,000)	—	—
Final dividend for the year 2009: @ 50% Rs. 5.00 per share	—	—	(113,050,695)	—	(113,050,695)
Net comprehensive income for the nine months ended March 31, 2010	—	—	438,797,748	(10,412,649)	428,385,099
Balance as at March 31, 2010 (Restated)	226,101,390	1,570,000,000	520,766,556	2,103,180,630	4,420,048,576
Minority Interest arising in Investment in Subsidiary	—	—	—	740,092,859	740,092,859
Net comprehensive income for the half year ended 30 June 2010	—	—	78,613,091	(2,736,035)	75,877,056
Balance as at June 30, 2010 (Restated)	226,101,390	1,570,000,000	599,379,647	2,840,537,455	5,236,018,491
Transfer to revenue reserve	—	430,000,000	(430,000,000)	—	—
Final dividend for the year 2010: @ 30% Rs. 3.00 per share	—	—	(67,830,417)	—	(67,830,417)
Shares issue due to merger	4,851,690	—	—	—	4,851,690
Minority investment during the period	—	—	—	726,347,830	726,347,830
Net comprehensive income for the nine months ended March 31, 2011	—	—	266,675,555	60,798,105	327,473,660
Balance as at March 31, 2011	230,953,080	2,000,000,000	368,224,785	3,627,683,390	6,226,861,254

The annexed notes form an integral part of these financial statements.

SALIM N. MUKATY

Chairman

 Karachi: 30th April, 2011

ASIF Y. BAWANY

Director



**SELECTED NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED MARCH 31, 2011 (UNAUDITED)**

1. LEGAL STATUS AND OPERATIONS

The Company was incorporated in Pakistan on February 22, 1965 as private limited company and was converted into Public Limited Company on 12th September 1969. Its shares are quoted in the Karachi Stock Exchange. The Principal activity of the Company is manufacturing and processing of all kinds of fabrics and textile made-up and its registered office is situated at A/51-A, S.I.T.E, Karachi-75700.

The Company has a Subsidiary Company named Liberty Power Tech Limited (The Subsidiary Company) . It was incorporated in Pakistan on September 13, 2007 as a public limited company. The principal activity of the Subsidiary Company is to own, operate and maintain a Residual Furnance Oil (RFO) power project with an installed capacity of 200 Megawatt near Faisalabad under 2002 Power Policy of the Government of Pakistan. The Registered Office of the Subsidiary Company is situated at 4th Floor, Rehman Plaza, Queens Road, Lahore.

**2. MEGER OF LIBERTY MILLS LIMITED (LML) WITH
LIBERTY ENERGY (PVT) LIMITED (LEL)**

The Board of Directors of the Company in their meeting dated June 15, 2010 approved a Scheme of Arrangements(The Scheme) in terms of Section 284 - 287 of the Companies Ordinance, 1984 (The Ordinance) for the amalgamation of Liberty Mills Limited with Liberty Energy (Private) Limited with effect from January 01, 2010. The Company has filed the petition for sanctioning the Scheme to the High Court of Sindh, and the High court through order dated February 12, 2011 had approved the scheme. Hence these Financial statment includes the impact of merger of Liberty Energy (Pvt) Limited balances as at January 01, 2010 and subsequent transactions. Brief details of the merger are as follows:

- (i) Effective date of merger was January 01, 2010
- (ii) Primary reason for this merger was economy of scale and saving in administration



- (iii) LEL share holders were issue shares of LML for every 5.15 shares of LEL to 1 share of LML
- (iv) The difference of net assets of LEL and the nominal value of shares is recognised in the Profit & Loss Accounts of the company as on January 01, 2010.

3. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

These condensed interim financial statements are presented in condensed form in accordance with the requirement of International Accounting Standard 34 'Interim Financial statements do not include all the information required for annual financial statements. These accounts are being submitted to the shareholders as required by the Section 245 of the Companies Ordinance, 1984.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 The accounting policies and the methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the company for the year ended June 30, 2010 except for the adoption of new accounting policies as referred to in note 4.2.1.

4.2 Initial application of standards, amendments or an interpretation to existing standards.

The following amendments to existing standards have been published that are applicable to the company's financial statements covering annual periods, beginning on or after the following dates:

4.2.1. Standards, amendments to published standards and interpretations that are effective in the current period and are relevant to the company.

- IFRS 5 (Amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainly) of IAS 1. The company has



adopted this amendment, however, it does not have any material impact on the company's financial statements.

- IAS 1 (Amendment), 'Presentation of Financial Statements'. The amendment is part of the international Accounting Standard Board's (IASB) annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The company has adopted this amendment, however, it does not have any material impact on the company's Financial statements.

4.2.2 Standards, amendments and interpretations to existing standards effective in current year but not applicable/relevant to the company's operations.

Standard or interpretations

IAS 32 (Amendment); 'Classification of right issues'	February 01, 2010
IAS 39 (Amendment); 'Cash flow hedge accounting'	July 01, 2010
IFIRC 19, 'Extinguishing financial liabilities with equity instruments'	July 01, 2010

4.2.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company.

The following amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after January 1, 2011 or later periods, but the company has not early adopted them:

- IFRS 9, 'Financial instruments', issued in December 2009. This addresses the classification and measurement of financial assets and is likely to affect the company's accounting for its financial assets. The standard is not applicable until January 1, 2013 but is available for early adoption. IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held



for trading. Fair value gains and losses on available-for-sale debt investments, for example will therefore have to be recognized directly in profit or loss. The company has not yet decided when to adopt IFRS 9.

- Revised IAS 24, 'Related Party Disclosures' issued in November 2009. It supersedes IAS 24, 'Related Party Disclosures', issued in 2003. The revised IAS 24 is required to be applied from January 1, 2011. Earlier application, in whole or in parts, is permitted

- Prepayments of a minimum funding requirement' (Amendments to IFRIC 14), issued in November 2009. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit assets, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning January 1, 2011. Earlier application is permitted. The amendments should be applied, retrospectively to the earliest comparative period presented.

- There are a number of minor amendments in other IFRS and IAS, which are part of annual improvement project published in April 2009 and improvements to International Financial Reporting Standards 2010, issued in May 2010 (not addressed above). These amendments are unlikely to have any impact on the company's financial statements and therefore have not been analyzed in detail.

4.2.4 The preparation of condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates, in preparing this condensed interim financial information, the significant judgments by management in applying accounting policies and key sources of estimation were the same as those were applied to the financial statements for the year ended June 30, 2010.



5. <u>PROPERTY, PLANT & EQUIPMENT</u>	Unaudited 31.03.2011	Unaudited Restated 30.06.2010
Property, plant and equipment Note 5.1	20,639,490,627	1,252,326,285
Capital work in progress Note 5.2	104,478,856	17,353,688,636
	<u>20,743,969,483</u>	<u>18,606,014,922</u>
5.1 <u>Property, plant and equipment</u>		
Opening book value	1,252,326,285	1,264,567,954
Effect of additions due to merger as per Note No: 2	—	34,866,852
Transfer from Investment Property	—	1,234,542
Additions made during the period Note 5.1.1	19,679,514,504	76,706,397
	<u>20,931,840,789</u>	<u>1,377,375,745</u>
Less:		
Written down value of disposal Note 5.1.2	753,085	1,596,821
Depreciation charged for the period	291,597,077	123,452,639
	<u>20,639,490,627</u>	<u>1,252,326,285</u>
5.1.1 <u>Addition made during the year</u>		
Free hold land	1,965,000	—
Factory building on lease hold land	2,579,681,043	1,557,554
Non factory building on lease hold land	313,579	2,417,522
Plant & machinery	17,074,245,776	34,143,898
Factory equipments	12,542,928	4,801,707
Office equipments	384,178	421,200
Furniture & fixtures	309,267	4,159,353
Vehicles	8,940,821	28,577,545
Computers / printers	1,131,912	627,618
	<u>19,679,514,504</u>	<u>76,706,397</u>
5.1.2 <u>Written down value of disposal</u>		
Vehicles	753,085	1,596,821
	<u>753,085</u>	<u>1,596,821</u>
5.2 <u>Capital work in progress</u>		
Building under construction	82,608,271	1,521,759,305
Plant, machinery and equipment	21,870,585	14,030,955,011
Professional fees	—	251,187,741
Insurance	—	180,852,236
Borrowing costs	—	1,131,505,807
Others indirect costs	—	237,428,536
	<u>104,478,856</u>	<u>17,353,688,636</u>



6. LONG TERM FINANCING - SECURED FROM BANKING COMPANIES	Unaudited 31.03.2011	Unaudited Restated 30.06.2010
Habib metropolitan bank limited	Note 6.1 56,853,743	66,453,495
Standard chartered bank (Pakistan) limited	Note 6.2 22,704,404	29,857,703
Allied bank limited	Note 6.3 37,624,250	43,000,250
Habib bank limited	Note 6.4 371,428,571	400,000,000
Bank al-falah limited	Note 6.5 59,328,000	62,681,000
Faysal Bank limited	Note 6.6 4,916,000	5,899,000
Long term finance	Note 6.7 1,649,134,649	1,342,207,338
Long term musharaka	Note 6.7 13,488,387,000	11,042,839,000
	15,690,376,617	12,992,937,786
Less:debt arrangment fee	(252,305,292)	(226,327,423)
	15,438,071,325	12,766,610,363
Current portion shown under current liabilities	(1,066,271,626)	(399,472,750)
	14,371,799,699	12,367,137,613

6.1 Interest

It carries interest at the rate of 6.25% per annum chargeable and payable on quarterly basis.

Repayment

The finance is repayable in 12 equal half yearly installments commenced from 18th April 2007. In order to facilitate the Exporter the State Bank of Pakistan had given a one year grace in repayment of LTF finances for one year through SMEFD circular dated January 22, 2009.

Security

The finance is secured by 1st charge on the specified machinery imported through lender under the scheme of Long Term Financing for Export Oriented Project and registered charge over stock / receivables.

6.2 Interest

It carries interest at the rate of 6.5% per annum chargeable and payable on quarterly basis.

Repayment

The finance is repayable in 12 equal half yearly installments commenced from 13th June 2007. In order to facilitate the Exporter the State Bank of Pakistan had given a one year grace in repayment of LTF finance for one year through SMEFD circular dated January 22, 2009.

Security

The finance is secured by 1st charge on the specified machinery imported through lender under the scheme of Long Term Financing for Export Oriented Project and registered charge over stock / receivables.



6.3 **Interest**

It carries interest at the rate of 8.7% per annum chargeable and payable on quarterly basis.

Repayment

The finance is repayable in 32 equal quarterly installments commenced from 15th May 2010. In order to facilitate the Exporter the State Bank of Pakistan had given a one year grace in repayment of LTF finance for one year through SMEFD circular dated January 22, 2009.

Security

The finance is secured by 1st charge on the specified machinery imported through lender under the scheme of Long Term Financing for Export Oriented Project and registered charge over stock / receivables.

6.4 **Interest**

It carries interest ranges between 14.1% to 14.3% per annum chargeable and payable on quarterly basis.

Repayment

There are four finances three of them are repayable in 7 equal quarterly installments and the last one is repayable in 9 equal Quarterly Installment commenced from 12th September 2010.

Security

The finance is secured by 1st Pari passu Equitable Mortgage and Hypothecation Charge over Land, Building, Plant & Machinery of the Company. Personal Guarantee of Chairman and Chief Executive Officer of the Company.

6.5 **Interest**

It carries interest ranges between 8.9% to 9.2% per annum chargeable and payable on quarterly basis.

Repayment

The finance is repayable in 40 equal quarterly installments commenced from 5th June 2010.

Security

The finance is secured by 1st charge on the specified machinery imported through lender under the scheme of Long Term Financing for Export Oriented Project and ranking charge over Company's Plant & Machinery.

6.6 **Interest**

It carries interest at the rate of 9.8% per annum chargeable and payable on quarterly basis.

Repayment

The finance is repayable in 6 equal half yearly installments commenced from 16th October 2010.

**Security**

The finance is secured by 1st charge on the specified machinery imported through lender under the scheme of Long Term Financing for Export Oriented Project.

- 6.7 The Subsidiary Company has entered into long-term financing agreement with a consortium of banks/financial institutions led by Allied Bank Limited the facility is of long term musharaka finance except Askari Bank Limited as thier portion represent long term financing. The initial facility was for Rs. 13,850 million. During the period the Company had obtained further financing facility of Rs 1,400 million to cover the additional cost of the project from the lender of the origina financing facilities on the same terms. It carries interest/mark-up rate of 3 months KIBOR plus 3.0% per annum and is repayable in 40 quarterly installments, commenced from March 31, 2011 .

It is secured by first pari passu charge on immovable property, mortgage of project receivables, hypothecation of all present and future assets and all property of the Company, lien and setoff rights over project accounts, assignment over project insurance and pledge of 51% shares of all sponsors in the Company. The Company may not pay dividend until certain financial requirements under the long term financing agreement are satisfied.

7. CONTINGENCIES AND COMMITMENTS

- 7.1 The Subsidiary Company has entered into a facility agreement with a commercial bank for issuance of performance guarantee to the Private Power Infrastructure Board (PPIB) for USD 1 million equivalent to Rs. 81.3 million (2008: USD 1 million). The guarantee is valid up to March 31, 2011 and is secured by securities provided by sponsors.
- 7.2 The Company has entered into two agreements related to Operations and Maintenance (O&M) Agreement with Wartsila Pakistan (Private) Limited (an associated undertaking) and Spare Parts Supply Agreement (SPSA) with Wartsila Finland OY (an associated undertaking) as spare parts supplier. Both agreements will remain in effect until the earlier of the end of a period of 5 years from COD or the last day of the month in which the running hours of the first Generator set reaches 35,000 hours.
- 7.3 Guarantees of Rs. 44.146 Million (June 2010: Rs. 44.146 Million) have been given by banks to Sui Southern Gas Company Limited & Collector of Customs.
- 7.4 Letter of Credits & Contracts for supply of Plant & Machinery PKR 214.861 million (June 2010: PKR 3.538 Million) and for supply of raw materials & spares amounting to PKR 5.296 Million (June 2010: Rs. 15.829 Million).



8. SALES AND SERVICES	Unaudited 31.03.2011	Unaudited Restated 31.03.2010
Export Sales	4,783,040,892	3,220,506,382
Local Sales	5,201,446,112	270,373,462
Waste Sales	3,827,490	3,994,526
Sale of Dyes & Chemicals	999,750	—
	9,989,314,244	3,494,874,370
SERVICES:		
Cloth processing	499,685,434	609,821,765
	<u>10,488,999,678</u>	<u>4,104,696,135</u>
9. COST OF SALES		
Raw material consumed	8,161,428,931	2,756,511,915
Stores & spare parts consumed	160,178,515	114,244,176
Design, stitching, weaving, raising & mending charges	158,514,602	133,470,357
Power, water and gas	284,325,617	305,777,391
Salaries, wages & other benefits	225,862,032	183,240,976
Repairs & maintenance	94,802,331	21,904,643
Packing charges	12,784,061	13,513,870
Rent, rates & taxes	3,031,591	1,782,687
Insurance	32,969,888	9,204,197
Research and development expenses	13,501,623	11,671,297
Other manufacturing expenses	752,150	—
Depreciation	278,311,340	81,478,692
Less: Duty drawback	(90,105,022)	(59,744,561)
	9,336,357,660	3,573,055,640
Work-in-process		
-opening	289,491,818	93,827,537
-closing	(447,040,280)	(165,528,054)
	(157,548,462)	(71,700,517)
Cost of goods manufactured	9,178,809,198	3,501,355,123
Finished goods		
-opening	333,185,266	189,910,263
-closing	(532,709,800)	(244,112,482)
	(199,524,534)	(54,202,219)
	<u>8,979,284,664</u>	<u>3,447,152,904</u>



10. TRANSACTION WITH RELATED PARTIES

The related party comprises of related group companies, Ashraf Enterprises, Soorty Enterprises (pvt) Limited & Liberty Power Tech Limited, where directors also held directorship, directors and key management personnel. Transaction with associated companies and other related companies are as under.

Relationship	Nature of Transaction	Unaudited 31-Mar-11	Restated Unaudited 31-Mar-10
Associated Company	Services Obtained (Inclusive of Sales Tax)	72,352,911	96,238,093
Associated Company	Services Provided	35,800,185	68,200,453
Associated Company	Sale of Fabrics	146,741,280	—
Associated Company	Rent received	150,000	450,000
Associated Company	Rent paid	375,000	1,125,000
Associated Company	Shares issued	156,848,550	459,884
Associated Company	Equipment supply advance	713,738,296	6,482,363
Associated Company	Construction supply advance	684,984,379	592,160
Associated Company	Operation and maintenance contract	46,156,639	—
Associated Company	Spare parts supply contract	262,999,553	—
Sponsors	Shares issued	569,668,330	1,019,115

11. DATE OF AUTHORISATION FOR ISSUE

These Financial Statements were authorised for issue by the Board of Directors on 30th April 2011.

12. GENERAL

- (i) Comparative figures of Balance Sheet, Profit & Loss Accounts, Cash flow Statement and Statement of Changes in Equity have been reclassified due to incorporation of Assets and Liabilities of Liberty Energy (Pvt) Limited in accordance with the scheme of arrangements of merger duly approved by the Sindh High Court through order dated February 12, 2011 as stated in note number 2.
- (ii) Provision in respect of Worker's Profit Participation Fund, Worker's Welfare Fund and Taxation are estimated and are subject to final adjustment in the annual audited accounts.
- (iii) Figures have been rounded off to the nearest rupees.

SALIM N. MUKATY

Chairman

Karachi: 30th April, 2011

ASIF Y. BAWANY

Director